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United Nations

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

Volume IV
United Nations University

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5

Please recycle

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Volume IV
United Nations University

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

30 March 2012

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the United Nations University for the biennium ended 31 December 2011, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

The Chair of the Board of Auditors
United Nations
New York

30 June 2012

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations University for the biennium ended 31 December 2011.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the United Nations University (UNU) for the biennium ended 31 December 2011, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities and reserves and fund balances (statement II), the statement of cash flows (statement III), the statement of appropriations (statement IV) and the schedules and notes to the financial statements.

Management's responsibility for the financial statements

The United Nations Controller is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations University as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations University that have come to our notice, or that we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the United Nations University.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the United Nations University (UNU) for the biennium ended 31 December 2011. The audit was carried out through field visits to the UNU Institute for Environment and Human Security, in Germany; the UNU Maastricht Economic and Social Research Institute on Innovation and Technology, in the Netherlands; and the UNU International Institute for Global Health, in Malaysia, as well as a review of the financial transactions and operations at the UNU headquarters offices in Tokyo and Kuala Lumpur.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNU as at 31 December 2011 and the results of its operations and cash flows for the biennium then ended, and have been properly prepared in accordance with the United Nations system accounting standards.

Financial overview

For the period under review, total income was $127.49 million, while total expenditure amounted to $114.93 million, resulting in an excess of income over expenditure of $12.56 million. As at 31 December 2011, total assets amounted to $363.44 million, while total liabilities and total reserves and fund balances were $28.04 million and $335.4 million, respectively.

Endowment Fund

In the 1970s, UNU established the Endowment Fund, in which regular withdrawals from invested capital are used for the University's daily operations. The Fund resulted mainly from donations by the Government of Japan and various other Governments. The Fund is managed and operated by a financial advisory firm, Nikko Asset Management Company Limited, through the Investment Management Division of the United Nations Joint Staff Pension Fund. Every year, UNU pays $50,000 to the Pension Fund for its work regarding the Endowment Fund, and some $550,000 to Nikko Asset Management for its investment activities.

The Board noted that UNU had no formal agreements with either of those organizations clearly articulating their respective responsibilities for the management of the Fund.

Progress towards the implementation of the International Public Sector Accounting Standards

In 2011, the UNU Council, at its fifty-eighth session, approved the adoption of the International Public Sector Accounting Standards (IPSAS) by 1 January 2014.

As at the time of audit, the Board noted that neither an IPSAS steering committee nor an IPSAS implementation team had been established, nor had an

action plan been developed. The Board also noted that UNU had not performed an assessment as to whether Atlas, an enterprise resource planning system provided by the United Nations Development Programme (UNDP) and used by UNU, was suited for the purpose of supporting the University in its implementation of IPSAS. The Board also noted that owing to the inability to produce the financial statements automatically using Atlas, all the transactions conducted in the 18 independent accounting units of UNU were managed semi-manually. Therefore, the Board is concerned about a high risk of delay in the implementation of IPSAS in UNU.

Programme and project management

The Board noted that UNU did not routinely evaluate its contractors' performance and that, at the request of the Board, it had provided such analysis with respect to 7 vendors, representing 8 per cent of its total of 85 vendors. The Board also noted that UNU had not established a mechanism for monitoring and evaluating its projects on a regular basis.

Follow-up of previous recommendations

Of the 17 recommendations made for the biennium 2008-2009, 9 (53 per cent) were fully implemented; 6 (35 per cent) were under implementation and 2 (12 per cent) were not implemented. Details of the status of implementation of these recommendations are shown in the annex.

Recommendations

The Board has made eight recommendations on the basis of its audit. The main recommendations are that UNU:

(a) **Formalize its arrangements with the Investment Management Division of the United Nations Joint Staff Pension Fund in order to clearly define the responsibilities and obligations of each entity;**

(b) **In cooperation with the Investment Management Division, clearly articulate the relationship with and responsibility of the investment adviser (Nikko Asset Management) in terms of investment;**

(c) **Expedite its preparations for the implementation of IPSAS, including but not limited to the establishment of an implementation team and the development of a detailed action plan;**

(d) **In cooperation with UNDP, customize and enhance the Atlas system to fully support its IPSAS implementation;**

(e) **Establish a mechanism for the effective coordination and monitoring of projects, and conduct an annual "spot check" whereby a selected number of projects are evaluated.**

A. Mandate, scope and methodology

1. The Board of Auditors (the Board) has audited the financial statements of the United Nations University (UNU) and reviewed its operations for the biennium ended 31 December 2011 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNU as at 31 December 2011 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing body and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNU operations under financial regulation 7.5, in accordance with which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNU. In addition, the General Assembly had requested the Board to follow up on previous recommendations and to report to it accordingly. These matters are addressed in the relevant sections of the present report.

4. The Board continues to report to UNU the results of audits in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the administration. Four management letters covering the period under review were issued.

5. Where observations in the present report refer to specific locations, such observations are limited to those locations.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests of the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

7. The Board's observations and conclusions were discussed with the UNU administration, whose views have been appropriately reflected in the present report.

B. Findings and recommendations

1. Follow-up of previous recommendations

8. Of the 17 recommendations made for the biennium 2008-2009, 9 (53 per cent) were fully implemented, 6 (35 per cent) were under implementation and 2 (12 per cent) were not implemented. Details of the status of implementation of the recommendations for the biennium 2008-2009 are shown in the annex.

9. In response to the request of the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations and noted that the eight recommendations that had not been implemented in full or in part had first been made in the biennium 2008-2009.

Recommendations not implemented

10. Of the two unimplemented recommendations, one relates to the finalization of the funding agreement between UNU and the Office of Internal Oversight Services (OIOS). The funding agreement between UNU and OIOS for the internal audit service was pending. OIOS did not conduct any audit for the period under review.

11. The Board was informed by UNU that in May 2010, OIOS had proposed a change in the funding mechanism through the creation of a P-4 post in Geneva to be jointly funded by UNU and other United Nations training institutions. Because of different funding arrangements and constraints faced by other United Nations training institutions, OIOS considered that the cost-sharing proposal was not the correct way forward and that it would explore individual arrangements with UNU and other United Nations training institutions. At the time of audit, no further progress on the funding arrangement had been made by OIOS.

12. The other unimplemented recommendation relates to the improvement of the query function of Atlas, an enterprise resource planning system developed by the United Nations Development Programme (UNDP). At the time of audit, UNDP was developing a business intelligence tool utilizing the Oracle Business Intelligence Enterprise Edition (OBIEE) to automate and enhance the reporting work performed using Atlas, but the tool was not available to UNU. UNU maintains its programme information in a stand-alone database that is also under development and that, in due course, will interface with Atlas.

Recommendations under implementation

13. In respect of the six recommendations that are under implementation, the Board has no major overall concern, since all are of an ongoing nature. For example, with regard to the recommendation that a funding plan for end-of-service liabilities be developed for the consideration of the UNU Council, UNU was awaiting the finalization of the funding plan by the Secretariat and would then assess whether the same mechanism was applicable to the University environment.

14. In the present report, the Board also comments on other recommendations under implementation, such as the recommendation that UNU ensure that all the required procedures relating to the recruitment process are followed in the selection of personnel.

2. Financial overview

15. Total income for the period under review was $127.49 million, while total expenditure amounted to $114.93 million, resulting in an excess of income over expenditure of $12.56 million.

16. The total assets of UNU amounted to $363.44 million as at 31 December 2011, while total liabilities and total reserves and fund balances were $28.04 million and $335.4 million, respectively.

17. Of total assets, other accounts receivable as at 31 December 2011 totalled $3.72 million, of which $1.27 million had not been received for more than two years. While provision was made for potential loss regarding account receivables, the Board is concerned that UNU did not establish an effective mechanism for collecting outstanding receivables.

18. Meanwhile, total assets, cash and term deposits and investments and cash pools as at 31 December 2011 amounted to $340.47 million. Most of these assets were from the Endowment Fund, which was established as a result of donations by the Government of Japan and various other Governments. The Board comments on this further in the present report.

19. Of total liabilities, end-of-service liabilities as at 31 December 2011 amounted to $9.78 million, reflecting an increase of $4.07 million compared with the previous biennium. Of the $9.78 million in end-of-service liabilities, $6.68 million represented after-service health insurance, $1.01 million related to unused annual leave credits and $2.08 million represented repatriation benefits. The change in the amount of end-of-service liabilities was due mainly to the decline in the assumption for the discount rate from 6.0 per cent in the biennium 2008-2009 to 4.5 per cent in the biennium 2010-2011.

3. Endowment Fund

Control mechanism

20. In the 1970s, UNU established the Endowment Fund, in which regular withdrawals from invested capital are used for the University's daily operations. Donations to the Fund were made by the Government of Japan and more than 40 other Governments and private sector and non-governmental organizations. It is therefore important that the Fund be actively and effectively managed.

21. For the previous biennium, the Board noted a significant realized loss of $54.95 million incurred on the sale of securities under the Endowment Fund. However, the Board noted that for the period under review, UNU had made a realized gain of $14.77 million on the sale of securities under the Fund. As at 31 December 2011, the Fund amounted to $295 million.

22. In April 1991, on the basis of the recommendation of the Advisory Committee on Administrative and Budgetary Questions, the custodial responsibility for the Endowment Fund was transferred from the United Nations Controller to the Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund, who in turn delegated his trustee responsibility to the Investment Management Division of the Pension Fund. The Pension Fund appointed Nikko Asset Management Company Limited as investment adviser for the Endowment Fund. Every year, UNU pays $50,000 to the Pension Fund with respect to its work

regarding the Endowment Fund and some $550,000 to Nikko Asset Management in relation to its investment activities.

23. The Board noted that there was no formal agreement either between UNU and the Investment Management Division or between UNU and Nikko Asset Management that clearly articulated the responsibilities related to the management of the Endowment Fund in terms of investment. Following the audit, the Board was informed by the Pension Fund, in a memorandum dated 11 June 2012, that the fundamental issue of the Division's mandate with respect to the Endowment Fund had still not been established or approved by the United Nations Joint Staff Pension Board or the General Assembly.

24. The Board is concerned that the lack of a formal agreement either between UNU and the Investment Management Division or between UNU and Nikko Asset Management concerning the investments of the Endowment Fund will adversely affect the efficiency of the investment management of the Fund.

25. UNU agreed with the Board's recommendation that it formalize its arrangements with the Investment Management Division of the Pension Fund in order to clearly define the responsibilities and obligations of each entity.

26. The Board also recommends that UNU, in cooperation with the Investment Management Division, clearly articulate the University's relationship with and the responsibilities of the investment adviser (Nikko Asset Management) in terms of investment.

4. Progress towards the implementation of the International Public Sector Accounting Standards

27. In accordance with General Assembly resolution 60/283, and in response to the comments made by the Advisory Committee on Administrative and Budgetary Questions (see A/61/350), the Board reviewed the implementation of the International Public Sector Accounting Standards (IPSAS) in UNU.

28. UNU had previously been following the Secretariat and UNDP deadline of 2012 for the implementation of IPSAS, in particular because its enterprise resource planning system, Atlas, had been provided by and was being maintained by UNDP. In 2010, the United Nations decided to postpone the implementation of IPSAS until 2014 for the Secretariat and a number of its entities. Given the fact that the Secretary-General has administrative responsibility for the financial statements of UNU and that the University will have time to learn from the experience gained by UNDP as a result of the reconfiguration of its Atlas system, the UNU Council, at its fifty-eighth session, approved the adoption of IPSAS by 1 January 2014.

29. The Board noted that during the biennium 2010-2011, UNU, except for following the instructions provided by the Headquarters IPSAS implementation team and attending an IPSAS workshop organized by the team, had not proactively identified the changes that it needed to make for the implementation of IPSAS. The implementation team indicated to the Board that, as a result of the difference between the United Nations system (Umoja) and the system that UNU was using (Atlas), it was nearly impossible for the team to provide clear guidance to the University on how to make adjustments to Atlas to support its IPSAS implementation.

30. The Board also noted that at the time of audit, UNU had not established either an IPSAS steering committee or an IPSAS implementation team, nor had an action plan been developed.

31. In addition, the Board noted that UNU had not performed an assessment as to whether the Atlas system was suited for the purpose of supporting the University's IPSAS implementation. UNU has not begun work to customize Atlas in that regard. The Board noted that without such customization, the Atlas system could not produce financial statements automatically; all the transactions conducted in the 18 independent accounting units could be generated only semi-manually. This would increase the risk of error and, more importantly, would not support UNU in obtaining the real benefits of the new information generated by IPSAS, as it might not provide in a timely manner the financial information needed for decision-making.

32. UNU stated that it had engaged an enterprise resource planning manager in November 2010 who was committed to improving the functions of Atlas for UNU, but that the manager had resigned in 2011. At the time of audit, UNU planned to cooperate with UNDP on improving the functions of Atlas and a new reporting system was under consideration that would enable UNU users to generate financial statements without manual intervention.

33. **The Board recommends that UNU expedite its preparations for the implementation of IPSAS, including but not limited to establishing an implementation team and developing an action plan.**

34. **The Board also recommends that UNU, in cooperation with UNDP, customize and enhance the Atlas system to fully support its IPSAS implementation.**

5. Programme and project management

Lack of a monitoring mechanism for projects

35. Article III of the Charter of UNU (amended on 21 December 2009) states that the University Centre should assist the Rector in the programming, coordination and support of the overall University programme to ensure effective and prompt action.

36. The Board noted that during the biennium 2010-2011, there had been no mechanism for the monitoring and evaluation of UNU projects on a regular basis.

37. The Board is concerned that the lack of an appropriate project monitoring mechanism that includes targets or milestones at the university-wide level will have negative effects on the implementation of projects and programmes.

38. UNU explained that a project management system, Pelikan, was being developed to assist project management.

39. **UNU agreed with the Board's recommendations that it: (a) establish a mechanism for the effective coordination and monitoring of projects and programmes; and (b) conduct an annual "spot check" whereby a selected number of projects are evaluated.**

6. Procurement and contract management

Lack of renewal of original contract

40. UNU signed an agreement with Fuji Xerox Company Limited (Xerox) in 1997 to rent the corporation's equipment. The term of the agreement was from 1 August 1997 to 31 July 2002, with an option to renew the contract annually. UNU had not conducted any formal process to review the renewal of the agreement, and no renewed contract with Xerox has been issued since 2002. The total payment made to Xerox under the agreement was 71,249,349 yen (about $0.89 million) during the period from 2002 to 2012.

41. The Board is of the view that the periodic review of the appropriateness of a long-term contract and, if necessary, the timely renewal of the contract would be in the best interest of UNU and decrease the risk of a contract dispute.

42. **UNU agreed with the Board's recommendations that it: (a) strictly follow the requirements set out in the Procurement Manual; and (b) conduct a formal extension process with regard to the contract in a timely manner.**

Lack of contractor evaluation procedures

43. In 2011, UNU entered into contracts with 85 vendors, amounting to more than $4 million. Until 23 April 2012, at the request of the Board, UNU had produced contractor performance evaluation reports for 7 vendors, representing 8.24 per cent of the total of 85.

44. The Board noted that UNU had no formal procedures in place for contractor performance evaluation.

45. The Board is of the view that a well-operated contractor performance evaluation mechanism, as a key element of contract management, would contribute to the improvement of the efficiency and effectiveness of the procurement process and serve the interests of UNU.

46. **UNU agreed with the Board's recommendation that it introduce a formal procedure for contractor performance evaluation in order to improve its procurement process.**

7. Human resources management

Staff recruitment

47. Paragraph 7.6 of the administrative instruction on the staff selection system (ST/AI/2010/3) provides that the hiring manager shall prepare a reasoned and documented record of the evaluation of proposed candidates against the applicable evaluation criteria.

48. The Board noted that the UNU Centre did not maintain complete files for candidates on the shortlist and had incomplete or, in some cases, no supporting documents in respect of candidates' interview evaluation records.

49. The Board also noted that in seven cases, recruitment files for temporary contractors engaged under personnel service agreements, consultant contracts or individual contracts lacked complete documentation of written test results, interview

evaluation records and a signed interview report from the panel in question, as well as personal files for candidates on the shortlist.

50. The Board is of the view that keeping original recruitment documents is important to support the integrity and transparency of the selection procedure and reduce the risk of disputes relating to recruitment practices.

51. **UNU agreed with the Board's recommendation that it improve the management of staff recruitment by strictly complying with related requirement policies and maintaining complete records relating to staff recruitment.**

8. Consultants, experts and temporary assistance

52. The Board noted that the following deficiencies in the management of temporary contractors:

(a) At the UNU Centre and the UNU Institute for Environment and Human Security, there was no formal remuneration scale for temporary contractors;

(b) Two contractors engaged by the UNU Centre under personnel service agreements at the equivalent of the P-3 and P-4 levels, were awarded contracts without the approval of the Rector of UNU.

53. The Board is of the view that a formal remuneration scale will help to achieve the goal of "equal pay for work of equal value". The appropriate approval of contracts is an essential basis for ensuring a fair and competitive recruitment process and is also a safeguard against corrupt recruitment practices.

54. **UNU agreed with the Board's recommendations that it: (a) develop a detailed formula and policy guidelines for determining the remuneration scale for temporary contractors engaged by the University; and (b) ensure that the approval of consultant contracts is authorized in accordance with the University's personnel policy.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

55. UNU informed the Board that in accordance with financial rule 106.9 (a), property losses amounting to $1,619.82 had been written off during the biennium 2010-2011.

2. Ex gratia payments

56. As required by financial rule 105.12, UNU informed the Board that there had been no ex gratia payments during the period under review.

3. Cases of fraud and presumptive fraud

57. UNU informed the Board that there had been no cases of fraud or presumptive fraud that had come to its notice during the biennium 2010-2011.

D. Acknowledgement

58. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the United Nations University.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Annex

Status of implementation of recommendations for the biennium ended 31 December 2009

Recommendation	*Paragraph reference in report*[a]	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Disclose in a separate note the reason for the change in policy with regard to transfers from reserves and fund balances to income.	Para. 19	2008-2009	X			
Review, in coordination with the United Nations Joint Staff Pension Fund, the current allocation in the investment portfolio in relation to the proportion of the equity investment in the Endowment Fund.	Para. 26	2008-2009		X		
Develop a funding plan for end-of-service liabilities for consideration and approval by the UNU Council.	Para. 34	2008-2009		X		
Consider a revision of UNU policy for the valuation of leave liability in UNU implementation of the International Public Sector Accounting Standards.	Para. 42	2008-2009		X		
Develop a project management manual to provide UNU staff with guidance, key principles and a framework for effective programme and project management.	Para. 59 (a)	2008-2009	X			
Maintain essential files relating to project implementation.	Para. 59 (b)	2008-2009		X		
Take measures to improve project management by including required information in the project workplans.	Para. 63	2008-2009		X		
Take measures, in coordination with UNDP, to improve the query function of Atlas on the basis of a cost-effective analysis.	Para. 65	2008-2009			X	
Make every effort to increase the use of languages other than English to disseminate project outputs.	Para. 67	2008-2009	X			
Strictly comply with the requirements of rule 8.2.1 (2) of the Procurement Manual in relation to technical specifications.	Para. 70	2008-2009	X			
Update procurement plans, as required by rule 8.1.4 (1) of the Procurement Manual.	Para. 73	2008-2009	X			
Comply strictly with the Financial Regulations and Rules of the United Nations in relation to the delegation of procurement authority.	Para. 75	2008-2009	X			
Prepare contract performance reports on a regular basis, in compliance with rule 7.11.2 (1) (c) of the Procurement Manual.	Para. 78	2008-2009	X			

Recommendation	*Paragraph reference in report*[a]	*Financial period in which first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Conduct physical verification of non-expendable property regularly, in accordance with the requirements of section 3.6 of the administrative instruction on property management and inventory control.	Para. 81	2008-2009	X			
Ensure that, in the selection of personnel, all the required procedures relating to the recruitment process are followed.	Para. 83	2008-2009		X		
In coordination with OIOS, expedite the finalization of the funding agreement for the provision of internal audit services to UNU.	Para. 86	2008-2009			X	
Ensure that all of the duty travel expense claims are submitted in a timely manner.	Para. 88	2008-2009	X			
Total		**17**	**9**	**6**	**2**	**0**
Percentage		**100**	**53**	**35**	**12**	**0**

[a] A/65/5 (Vol. IV).

Chapter III
Certification of the financial statements

The financial statements of the United Nations University for the biennium ended 31 December 2011 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the University during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations University, numbered I to IV, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General, Controller

28 March 2012

Chapter IV
Financial report for the biennium ended 31 December 2011

A. Introduction

1. The General Assembly adopted the Charter of the United Nations University by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area. In December 2009, the Assembly amended the Charter of UNU to explicitly grant the University permission to award postgraduate degrees. Authority for the University's policies, work programmes and budget is vested in a Council of 28 members. The Rector is the chief academic and administrative officer of the University.

2. The funds of the University are kept in a special account established by the Secretary-General of the United Nations. The Charter of UNU provides that capital and recurrent costs of the University shall be met from voluntary contributions to the University or from the income derived therefrom.

3. The University maintains an Endowment Fund and separate operating funds for its 13 institutes and its headquarters. The Endowment Fund represents the working capital fund of the UNU Centre and certain institutes. The fund principal represents the contributions of donors to the Centre or specific institutes and is invested to earn income. Income from investments in the Endowment Fund is used to support the activities of the University, which are accounted for in the respective operating funds. The operating funds also receive voluntary contributions directly from Governments as well as from non-governmental sources, United Nations entities, universities and individuals.

B. Overview

4. Total income for the biennium ended 31 December 2011 amounted to $127.5 million, representing a 6.1 per cent increase compared with the previous biennium.

5. The total income of the Endowment Fund for the biennium 2010-2011 decreased by 2.2 per cent, from $43.7 million for the previous biennium to $42.8 million. The breakdown is as follows (in thousands of United States dollars):

	2011	*2009*	*Increase (decrease)*
Voluntary contributions	8 000	8 000	
Interest income[a]	31 361	27 497	3 864
Miscellaneous income[b]	3 424	8 239	(4 815)
Total	**42 785**	**43 736**	**(951)**

[a] Includes gain on the sale of investments.
[b] Miscellaneous income represents net gain on foreign exchange revaluation.

6. Total income for the operating funds amounted to $118.9 million for the biennium 2010-2011, a gain of 10.3 per cent, due mainly to an increase in voluntary

contributions received to fund programmes and activities undertaken by the institutes, including the newly established UNU International Institute for the Alliance of Civilizations. The breakdown is as follows (in thousands of United States dollars):

	2011	*2009*	*Increase (decrease)*
Voluntary contributions	76 702	65 993	10 709
Interest income	493	760	(267)
Income from services rendered	4 500	4 080	420
Other miscellaneous income	2 155	3 580	(1 423)
Transfers from the Endowment Fund	35 030	33 383	1 647
Total	**118 880**	**107 796**	**11 084**

7. As shown in statement I, total expenditure for the University amounted to $114.9 million for the 2010-2011 biennium, compared with $156.4 million for the previous biennium, a reduction of 26.5 per cent reflecting lower operating expenses due to a decrease in losses on the sale of securities. Such losses decreased by $53.0 million, from $55.0 million for the previous biennium to $2.0 million for 2010-2011.

8. As at 31 December 2011, total assets amounted to $363.4 million, an increase of 5.4 per cent compared with the previous biennium. Investments held under the Endowment Fund accounted for 77.9 per cent of the University's assets. Short-term investments amounted to $3.1 million and long-term investments amounted to $280.0 million, with market values of $3.2 million and $289.8 million, respectively. In addition, the Endowment Fund and the operating funds held cash and term deposits and investments of $57.3 million as at 31 December 2011, which included the University's share of the United Nations offices away from Headquarters and euro cash pools.

9. The University's accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days, all of which were determined on an actuarial basis as described in note 7 to the financial statements. The University's accrued liabilities for after-service health insurance, repatriation benefits and unused vacation days as at 31 December 2011 were estimated at $6.7 million, $2.1 million and $1.0 million, respectively. The total of all these liabilities increased by $4.1 million, from $5.7 million as at 31 December 2009 to $9.8 million as at 31 December 2011, which is attributable primarily to the reduction in the discount rate used by the actuary from 6.0 per cent as at 31 December 2009 to 4.5 per cent as at 31 December 2011.

10. During the biennium 2010-2011, the fund balance of the Endowment Fund increased by $4.3 million to $295.0 million as at 31 December 2011. The fund balance of the operating funds increased by $11.0 million to $49.5 million as at 31 December 2011.

11. Statement IV shows the status of operating fund and Trust Fund expenditures against appropriations for the biennium 2010-2011. Total expenditure during the biennium amounted to $112.0 million, reflecting an unencumbered balance of $30.0 million, against revised appropriations of $142.0 million.

Annex

Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. During the biennium 2010-2011, no losses of cash and receivables were reported under financial rule 106.8.

Write-off of losses of property

3. During the biennium 2010-2011, the write-off of losses of property amounting to $1,620 was approved under financial rule 106.9.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2010-2011.

Chapter V
Financial statements for the biennium ended 31 December 2011

Statement I
United Nations University[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011
(Thousands of United States dollars)

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU-WIDER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Income									
Voluntary contributions	8 112	2 090	7 110	4 561	1 815	43	–	16 006	–
Interest income	70	–	187	208	15	–	–	–	–
Income for services rendered	262	3 902	12	–	–	17	–	166	–
Other miscellaneous income:									
Sales income and royalties from publications	1	–	15	2	–	–	–	–	–
Miscellaneous income	1 135	25	5	13	72	–	–	64	4
Transfers from the Endowment Fund[b]	16 364	–	5 158	2 096	3 997	1 606	997	–	177
Total income	**25 944**	**6 017**	**12 487**	**6 880**	**5 899**	**1 666**	**997**	**16 236**	**181**
Expenditure									
Staff and other personnel costs	13 304	541	4 013	2 860	3 001	901	113	1 892	32
Travel	1 233	64	171	85	244	155	67	169	6
Contractual services	185	98	13	–	80	28	–	313	–
Operating expenses	2 334	4 749	873	628	826	178	38	1 261	37
Acquisitions	299	62	114	126	116	120	–	19	6
Research and training networks, and dissemination	7 687	–	5 244	3 858	1 569	148	700	10 222	–
Transfers to operating funds[b]	–	–	–	–	–	–	–	–	–
Total expenditure	**25 042**	**5 514**	**10 428**	**7 557**	**5 836**	**1 530**	**918**	**13 876**	**81**
Excess (shortfall) of income over expenditure[c]	**902**	**503**	**2 059**	**(677)**	**63**	**136**	**79**	**2 360**	**100**

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU-WIDER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	–	–	–	–	–	–	–	–	–
Prior-period adjustments	37	–	99	–	–	–	–	–	–
Net excess (shortfall) of income over expenditure	**939**	**503**	**2 158**	**(677)**	**63**	**136**	**79**	**2 360**	**100**
Cancellation of prior-period obligations	236	6	76	146	76	55	50	386	69
Transfers (to) from other funds	(1 647)	–	–	–	–	–	–	–	–
Refunds to donors	–	–	–	–	–	(2)	–	–	–
Reserves and fund balances, beginning of period	13 664	619	5 306	7 222	939	511	245	2 624	44
Reserves and fund balances, end of period	**13 192**	**1 128**	**7 540**	**6 691**	**1 078**	**700**	**374**	**5 370**	**213**

Statement I (continued)

	UNU-INWEH Operating Fund	*UNU-CRIS Operating Fund*	*UNU-EHS Operating Fund*	*UNU-HGH Operating Fund*	*UNU-JAF[a] Operating Fund*	*UNU-ISP[a] Operating Fund*	*UNU-HAOC[a] Operating Fund*	*UNU Press[a] Operating Fund*	*Atlas[a] Operating Fund*
Income									
Voluntary contributions	6 019	1 124	7 493	2 448	–	16 310	3 327	244	–
Interest income	13	–	–	–	–	–	–	–	–
Income for services rendered	65	–	–	–	–	–	–	76	–
Other/miscellaneous income:									
Sales income and royalties from publications	–	–	–	–	–	–	–	301	–
Miscellaneous income	55	–	43	12	–	392	–	16	–
Transfers from the Endowment Fund[b]	–	–	310	1 465	–	641	–	1 095	1 124
Total income	**6 152**	**1 124**	**7 846**	**3 925**	**–**	**17 343**	**3 327**	**1 732**	**1 124**
Expenditure									
Staff and other personnel costs	2 886	1 085	1 194	1 168	–	4 298	191	1 020	153
Travel	279	8	131	178	–	94	110	40	33
Contractual services	46	–	5	3	–	1	442	–	–
Operating expenses	485	31	281	436	–	429	179	100	230
Acquisitions	58	–	13	74	–	2	3	7	1
Research and training networks, and dissemination	2 589	–	6 726	1 423	–	12 311	–	391	–
Transfers to operating funds[b]	–	–	–	–	–	–	–	–	–
Total expenditure	**6 343**	**1 124**	**8 350**	**3 282**	**–**	**17 135**	**925**	**1 558**	**417**
Excess (shortfall) of income over expenditure[c]	**(191)**	**–**	**(504)**	**643**	**–**	**208**	**2 402**	**174**	**707**
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	–	–	–	–	–	–	–	–	–
Prior-period adjustments	–	–	–	7	–	–	–	–	–
Net excess (shortfall) of income over expenditure	**(191)**	**–**	**(504)**	**650**	**–**	**208**	**2 402**	**174**	**707**

	UNU-INWEH Operating Fund	*UNU-CRIS Operating Fund*	*UNU-EHS Operating Fund*	*UNU-IIGH Operating Fund*	*UNU-JAF[a] Operating Fund*	*UNU-ISP[b] Operating Fund*	*UNU-IIAOC[c] Operating Fund*	*UNU Press[d] Operating Fund*	*Atlas[e] Operating Fund*
Cancellation of prior-period obligations	138	–	62	52	–	619	–	3	18
Transfers (to) from other funds	–	–	(549)	–	(1 796)	3 885	–	107	–
Refunds to donors	(51)	–	(11)	–	–	–	–	–	–
Reserves and fund balances, beginning of period	1 199	30	1 664	2 575	1 796	–	–	–	–
Reserves and fund balances, end of period	**1 095**	**30**	**662**	**3 277**	**–**	**4 712**	**2 402**	**284**	**725**

Statement I (continued)

	Total operating funds	*Endowment Fund*	*Trust Fund*	*End-of-service and post-retirement liabilities*[c]	*All funds elimination*	*Total 2011*	*Total 2009*
Income							
Voluntary contributions	76 702	8 000	1 177	–	–	85 879[j]	75 617
Interest income	493	31 361[k]	–	–	–	31 854	28 257
Income for services rendered	4 500[l]	–	–	–	(524)	3 976	4 080
Other/miscellaneous income:							
Sales income and royalties from publications	319	–	–	–	–	319	419
Miscellaneous income	1 836	3 424[m]	202	–	–	5 462	11 762
Transfers from the Endowment Fund[b]	35 030	–	–	–	(35 030)	–	–
Total income	**118 880**	**42 785**	**1 379**	**–**	**(35 554)**	**127 490**	**120 135**
Expenditure							
Staff and other personnel costs	38 652	–	609	–	–	39 261	34 845
Travel	3 067	–	24	–	–	3 091	2 635
Contractual services	1 214	–	295	–	(160)	1 349	2 735
Operating expenses	13 095	3 424[n]	345	–	(364)	16 500	69 230
Acquisitions	1 020	–	1	–	–	1 021	746
Research and training networks, and dissemination	52 868	–	837	–	–	53 705	46 210
Transfers to operating funds[b]	–	35 030	–	–	(35 030)	–	–
Total expenditure	**109 916**	**38 454**	**2 111**	**–**	**(35 554)**	**114 927**	**156 401**
Excess (shortfall) of income over expenditure[c]	**8 964**	**4 331**	**(732)**	**–**	**–**	**12 563**	**(36 266)**
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	–	–	–	(4 075)[o]	–	(4 075)	988
Prior-period adjustments	143	–	(380)	–	–	(237)	(3)
Net excess (shortfall) of income over expenditure	**9 107**	**4 331**	**(1 112)**	**(4 075)**	**–**	**8 251**	**(35 281)**

	Total operating funds	*Endowment Fund*	*Trust Fund*	*End-of-service and post-retirement liabilities*[c]	*All funds elimination*	*Total 2011*	*Total 2009*
Cancellation of prior-period obligations	1 992	–	298	–	–	2 290	2 895
Transfers (to) from other funds	–	–	–	–	–	–	–
Refunds to donors	(64)	–	–	–	–	(64)	–
Reserves and fund balances, beginning of period	38 438	290 629	1 564	(5 705)	–	324 926	357 312
Reserves and fund balances, end of period	**49 473**	**294 960**	**750**	**(9 780)**	**–**	**335 403**	**324 926**

[a] See notes 2, 3 and 4.
[b] Represents transfers from the Endowment Fund to the respective operating funds.
[c] In some cases, shortfall of income over expenditure is funded, in whole or in part, by utilization of the cumulative surplus as authorized by the Governing Council.
[d] The UNU-JAF Operating Fund was closed as at 31 December 2011, as authorized by the Governing Council.
[e] The UNU-ISP Operating Fund, in Tokyo, was established effective 1 January 2010. The operations of UNU-ISP are funded by voluntary contributions from the Government of Japan.
[f] The UNU-IIAOC Operating Fund, in Barcelona, Spain, was established effective 28 June 2010. The operations of UNU-IIAOC are funded by voluntary contributions from the Government of Spain.
[g] The UNU Press Operating Fund was established effective 1 January 2010. The operations of UNU Press are funded mainly by transfers from the Endowment Fund, voluntary contributions, and sales income and royalties from publications.
[h] The Atlas Operating Fund was established effective 1 January 2010. The operations of Atlas are funded by transfers from the Endowment Fund.
[i] See note 7.
[j] Represents voluntary contributions from Governments of $67,138,741 and other voluntary contributions in the amount of $18,739,886.
[k] Represents interest income of $16,591,439 and gain on the sale of securities of $14,768,138.
[l] Represents income for services rendered to external organizations of $3,976,072 and within UNU operating funds of $523,717.
[m] Represents net gain on foreign exchange revaluation of $3,424,361.
[n] Represents loss on the sale of securities of $2,018,197 and investment management fees of $1,406,058.
[o] Represents net increase in end-of-service and post-retirement benefits during the biennium 2010-2011.

The accompanying notes are an integral part of the financial statements.

Statement II

United Nations University[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU-WIDER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Assets									
Cash and term deposits	24 971	–	707	203	888	–	–	–	–
Short-term investments	–	–	–	–	–	–	–	–	–
Long-term investments	–	–	–	–	–	–	–	–	–
Offices away from Headquarters and euro cash pools	6 528	–	7 242	4 484	267	5	–	–	–
Voluntary contributions receivable	–	–	–	–	–	–	–	–	–
Inter-fund balances receivable	–	–	–	3 199	–	3 707	2 544	–	309
Other accounts receivable	359	–	60	402	77	20	–	19	99
Deferred charges and other assets[b]	2 234	4 386	855	642	436	44	17	8 877	–
Total assets	**34 092**	**4 386**	**8 864**	**8 930**	**1 668**	**3 776**	**2 561**	**8 896**	**408**
Liabilities									
Unliquidated obligations — current period	457	3	437	134	43	65	39	567	–
Unliquidated obligations — future periods	2 182	3 054	631	636	433	24	17	2 933	–
Inter-fund balances payable	11 849	–	255	–	–	–	–	–	–
Other accounts payable	1 379	201	1	291	44	5	7	26	–
Other liabilities[c]	5 033	–	–	1 178	70	2 982	2 124	–	195
End-of-service and post-retirement liabilities[d]	–	–	–	–	–	–	–	–	–
Total liabilities	**20 900**	**3 258**	**1 324**	**2 239**	**590**	**3 076**	**2 187**	**3 526**	**195**
Reserves and fund balances									
Fund principal	–	–	–	–	–	–	–	–	–
Balances related to projects funded by donors	3 406	–	2 794	1 751	897	83	–	4 857	–

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU [illegible]DER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Cumulative surplus (deficit)	9 786	1 128	4 746	4 940	181	617	374	513	213
Total reserves and fund balances	**13 192**	**1 128**	**7 540**	**6 691**	**1 078**	**700**	**374**	**5 370**	**213**
Total liabilities, reserves and fund balances	**34 092**	**4 386**	**8 864**	**8 930**	**1 668**	**3 776**	**2 561**	**8 896**	**408**

Statement II (continued)

	UNU-INWEH Operating Fund	*UNU CRIS Operating Fund*	*UNU-EHS Operating Fund*	*UNU-IIGH Operating Fund*	*UNU-JAF[a] Operating Fund*	*UNU-ISP[a] Operating Fund*	*UNU-IIAOC[a] Operating Fund*	*UNU Press[a] Operating Fund*	*Atlas Operating Fund*
Assets									
Cash and term deposits	1 494	–	895	–	–	–	–	–	–
Short-term investments	–	–	–	–	–	–	–	–	–
Long-term investments	–	–	–	–	–	–	–	–	–
Offices away from Headquarters and euro cash pools	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	–	661	646	–	–	–	1 938	–	–
Inter-fund balances receivable	–	–	463	1 738	–	635	–	1 095	1 124
Other accounts receivable	38	–	85	8	–	50	7	1	–
Deferred charges and other assets[b]	358	–	623	1 884	–	5 443	597	57	64
Total assets	**1 890**	**661**	**2 712**	**3 630**	**–**	**6 128**	**2 542**	**1 153**	**1 188**
Liabilities									
Unliquidated obligations — current period	240	–	149	90	–	207	45	21	–
Unliquidated obligations — future periods	359	–	626	223	–	1 134	30	57	64
Inter-fund balances payable	–	–	–	–	–	–	–	–	–
Other accounts payable	8	1	105	40	–	75	65	8	–
Other liabilities[c]	188	630	1 170	–	–	–	–	783	399
End-of-service and post-retirement liabilities[d]	–	–	–	–	–	–	–	–	–
Total liabilities	**795**	**631**	**2 050**	**353**	**–**	**1 416**	**140**	**869**	**463**
Reserves and fund balances									
Fund principal	–	–	–	–	–	–	–	–	–
Balances related to projects funded by donors	533	–	540	369	–	4 414	–	79	–
Cumulative surplus (deficit)	562	30	122	2 908	–	298	2 402	205	725
Total reserves and fund balances	**1 095**	**30**	**662**	**3 277**	**–**	**4 712**	**2 402**	**284**	**725**
Total liabilities, reserves and fund balances	**1 890**	**661**	**2 712**	**3 630**	**–**	**6 128**	**2 542**	**1 153**	**1 188**

Statement II (continued)

	Total operating funds	*Endowment Fund*	*Trust Fund*	*End-of-service and post-retirement liabilities*[a]	*All funds elimination*	*Total 2011*	*Total 2009*
Assets							
Cash and term deposits	29 158	9 576	27	–	–	38 761	41 556
Short-term investments	–	3 140[k]	–	–	–	3 140	12 131
Long-term investments	–	280 048[k]	–	–	–	280 048	261 960
Offices away from Headquarters and euro cash pools	18 526[l]	–	–	–	–	18 526	14 491
Voluntary contributions receivable	3 245	3 425	–	–	–	6 670	4 232
Inter-fund balances receivable	14 814	5 715	–	–	(20 529)	–	–
Other accounts receivable	1 225	1 503	993	–	–	3 721	5 193
Deferred charges and other assets[b]	26 517	–	808	–	(14 752)	12 573	5 173
Total assets	**93 485**	**303 407**	**1 828**	**–**	**(35 281)**	**363 439**	**344 736**
Liabilities							
Unliquidated obligations — current period	2 497	–	–	–	–	2 497	5 417
Unliquidated obligations — future periods	12 403	–	58	–	–	12 461	4 965
Inter-fund balances payable	12 104	8 425	–	–	(20 529)	–	–
Other accounts payable	2 256	22	1 020	–	–	3 298	3 723
Other liabilities[c]	14 752	–	–	–	(14 752)	–	–
End-of-service and post-retirement liabilities[d]	–	–	–	9 780	–	9 780	5 705
Total liabilities	**44 012**	**8 447**	**1 078**	**9 780**	**(35 281)**	**28 036**	**19 810**
Reserves and fund balances							
Fund principal	–	253 770	–	–	–	253 770	245 770
Balances related to projects funded by donors	19 723	–	–	–	–	19 723	5 708
Cumulative surplus (deficit)	29 750	41 190	750	(9 780)	–	61 910	73 448
Total reserves and fund balances	**49 473**	**294 960**	**750**	**(9 780)**	**–**	**335 403**	**324 926**
Total liabilities, reserves and fund balances	**93 485**	**303 407**	**1 828**	**–**	**(35 281)**	**363 439**	**344 736**

(Footnotes on following page)

(Footnotes to statement II)

[a] See notes 2, 3 and 4.

[b] Represents primarily inter-office transactions pending processing and includes commitments for future financial periods of $12,462,505.

[c] Represents inter-office transactions pending processing between UNU Centre and institutes.

[d] Represents accrued liabilities for after-service health insurance costs of $6,684,000, repatriation benefits of $2,083,000 and unused vacation days of $1,013,000 as at 31 December 2011.

[e] The UNU-JAF Operating Fund was closed as at 31 December 2011, as authorized by the Governing Council.

[f] The UNU-ISP Operating Fund, in Tokyo, was established effective 1 January 2010. The operations of UNU-ISP are funded by voluntary contributions from the Government of Japan.

[g] The UNU-HAOC Operating Fund, in Barcelona, Spain, was established effective 28 June 2010. The operations of UNU-HAOC are funded by voluntary contributions from the Government of Spain.

[h] The UNU Press Operating Fund was established effective 1 January 2010. The operations of UNU Press are funded mainly by transfers from the Endowment Fund, voluntary contributions, and sales income and royalties from publications.

[i] The Atlas Operating Fund was established effective 1 January 2010. The operations of Atlas are funded by transfers from the Endowment Fund.

[j] See note 7.

[k] Represents investments in bonds and equities. The market values of short-term investments and long-term investments were $3,162,985 and $289,769,021, respectively. See note 4 (b) and note 6.

[l] Represents share of offices away from Headquarters cash pools and comprises cash and term deposits of $3,455,307, short-term investments of $4,671,939 (market value $4,680,108), long-term investments of $10,338,328 (market value $10,356,183) and accrued interest receivable of $60,553. See note 4.

The accompanying notes are an integral part of the financial statements.

Schedule 2.1
United Nations University

Combined status of pledges unpaid as at 31 December 2011

(Thousands of United States dollars)

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
UNU Centre				
Government donations:				
Austria		22	22	
China		42	42	
Finland		10	10	
France		82	82	
Germany		5 979	5 979	
Iceland		38	38	
Netherlands		54	54	
Norway		80	80	
Spain		36	36	
Switzerland		185	185	
Subtotal	–	**6 528**	**6 528**	–
Other donations:				
Academia Sinica		10	10	
Asia-Pacific Network for Global Change Research		60	60	
David and Lucile Packard Foundation		94	94	
Deutsches Zentrum für Luft- und Raumfahrt e.V.		273	273	
Food and Agriculture Organization of the United Nations		48	48	
Google Japan		25	25	
Kanazawa City		55	55	
National Research Foundation, Brummeria, South Africa		30	30	
National Science Foundation, United States of America		548	548	
Royal Swedish Academy of Sciences		56	56	
United Nations Children's Fund		104	104	
United Nations Environment Programme		161	161	
University of Agder		11	11	
University of Granada		44	44	
Vrije Universiteit		11	11	
Others		54	54	
Subtotal	–	**1 584**	**1 584**	–
UNU Centre total	–	**8 112**	**8 112**	–

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
UNU Headquarters Building				
Government donations:				
Japan		2 090	2 090	
UNU Headquarters Building total	–	**2 090**	**2 090**	–
UNU-WIDER				
Government donations:				
Denmark		1 682	1 682	
Finland		1 833	1 833	
Sweden		2 673	2 673	
United Kingdom of Great Britain and Northern Ireland		792	792	
Subtotal	–	**6 980**	**6 980**	–
Other donations:				
Cornell University		100	100	
United Nations		30	30	
Subtotal	–	**130**	**130**	–
UNU-WIDER total	–	**7 110**	**7 110**	–
UNU-MERIT				
Government donations:				
Netherlands		2 329	2 329	
Subtotal	–	**2 329**	**2 329**	–
Other donations:				
European Centre for Development Policy		18	18	
Food and Agriculture Organization of the United Nations		122	122	
International Development Research Centre		190	190	
International Institute for Applied Systems Analysis		28	28	
International Livestock Research Institute		60	60	
Maastricht Graduate School of Governance		214	214	
Natural Resources International Ltd.		914	914	
Research Into Results Limited		406	406	
Research Policy Institute, Lund University		42	42	

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
Stichting Limburg Institute for Business and Economic Research		17	17	
Télécom ParisTech		118	118	
United Nations Children's Fund		8	8	
United Nations Industrial Development Organization		95	95	
Subtotal	–	**2 232**	**2 232**	–
UNU-MERIT total	–	**4 561**	**4 561**	–
UNU-IIST				
Government donations:				
Cameroon		61	61	
European Union (Commission)		40	40	
Germany		48	48	
Macau		1 353	1 353	
Subtotal	–	**1 502**	**1 502**	–
Other donations:				
École Polytechnique Fédérale de Lausanne		17	17	
Elsevier (Singapore) Pte. Ltd.		147	147	
Hokkaido University		15	15	
Microsoft Corp.		35	35	
Universidad Externado de Colombia		40	40	
University of Indonesia		30	30	
University of Koblenz-Landau		20	20	
Others		9	9	
Subtotal	–	**313**	**313**	–
UNU-IIST total	–	**1 815**	**1 815**	–
UNU-INRA				
Government donations:				
Ghana				
Subtotal	–	–	–	–
Other donations:				
United Nations Trust Fund for Human Security		43	43	
Subtotal	–	**43**	**43**	–
UNU-INRA total	–	**43**	**43**	–

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
UNU-IAS				
Government donations:				
Japan		12 336	12 336	
Subtotal	–	**12 336**	**12 336**	–
Other donations:				
Asia-Pacific Network for Global Change Research		28	28	
Canon		10	10	
Charles Darwin University		248	248	
Deutsche Gesellschaft für International Zusammenarbeit (formerly known as GTZ)		25	25	
Gordon and Betty Moore Foundation		490	490	
Hokkaido University		13	13	
Ishikawa Perfecture		567	567	
Japan Foundation for the United Nations University		12	12	
Kanazawa City		621	621	
Lam Kin-chung		10	10	
Nansei Sekiyu		166	166	
Swedish International Biodiversity Programme		15	15	
The Christensen Fund		1 162	1 162	
United Nations Development Programme		14	14	
United Nations Environment Programme		175	175	
United Nations Educational, Scientific and Cultural Organization		42	42	
United Nations Office for Project Services		10	10	
University of Tokyo		49	49	
Others		13	13	
Subtotal	–	**3 670**	**3 670**	–
UNU-IAS total	–	**16 006**	**16 006**	–
UNU-INWEH				
Government donations:				
Canada		4 059	4 059	
United Arab Emirates		124	124	
Subtotal	–	**4 183**	**4 183**	–

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
Other donations:				
Arab Fund for Economic and Social Development		62	62	
DIVERSITAS		20	20	
Food and Agriculture Organization of the United Nations		60	60	
International Geosphere-Biosphere Programme		27	27	
McMaster University		11	11	
Nakheel		322	322	
Rotary Club of Hamilton		10	10	
United Nations Environment Programme		426	426	
United Nations Educational, Scientific and Cultural Organization		442	442	
United Nations Office for Project Services		397	397	
World Meteorological Organization		39	39	
Others		20	20	
Subtotal	–	**1 836**	**1 836**	–
UNU-INWEH total	–	**6 019**	**6 019**	–
UNU-CRIS				
Government donations:				
Belgium	332	1 124	795	661
UNU-CRIS total	**332**	**1 124**	**795**	**661**
UNU-EHS				
Government donations:				
European Union (Commission)		609	609	
Germany		2 410	1 764	646
Subtotal	–	**3 019**	**2 373**	**646**
Other donations:				
Akademie für Raumforschung und Landesplanung		22	22	
ATLAS Innoglobe Plan and Construction Co. Ltd.		35	35	
Bündnis Entwicklung Hilft		54	54	
Care France		57	57	
Deutsches Komitee für Katastrophenvorsorge e.V.		61	61	

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
Deutsches Zentrum für Luft- und Raumfahrt e.V.		927	927	–
Federal Office of Civil Protection and Disaster Assistance		348	348	–
Freie Universität Berlin		16	16	–
GeoForschungsZentrum Potsdam		362	362	–
Gemeinsam e.V. für Menschen mit Körper- und Mehrfachbehinderung im Kreis Ludwigsburg		12	12	–
Munich Re Foundation		271	271	–
Munich Reinsurance		242	242	–
Office of the United Nations High Commissioner for Refugees		35	35	–
Oxfam GB		66	66	–
United Nations Environment Programme		1 652	1 652	–
University of Bonn		257	257	–
University of Dortmund		25	25	–
Universität Osnabrück		16	16	–
Others		16	16	–
Subtotal	–	**4 474**	**4 474**	–
UNU-EHS total	–	**7 493**	**6 847**	**646**
UNU-IIGH				
Government donations:				
Malaysia		1 895	1 895	–
Mongolia		3	3	–
Subtotal	–	**1 898**	**1 898**	–
Other donations:				
Academy of Sciences Malaysia		78	78	–
Australian Agency for International Development		270	270	–
Sanatorio Americano S.A.		104	104	–
World Health Organization		89	89	–
Others		9	9	–
Subtotal	–	**550**	**550**	–
UNU-IIGH total	–	**2 448**	**2 448**	–

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
UNU Press				
Government donations:				
Canada		5	5	
Subtotal	–	**5**	**5**	–
Other donations:				
East-West Centre		10	10	
eBizAnywhere Technologies Ltd.		10	10	
Hitotsubashi University		11	11	
University of Tokyo		185	185	
Others		23	23	
Subtotal	–	**239**	**239**	–
UNU Press total	–	**244**	**244**	–
UNU-ISP				
Government donations:				
Japan		12 260	12 260	
European Union		102	102	
United States of America		280	280	
Subtotal	–	**12 642**	**12 642**	–
Other donations:				
Asia-Pacific Network for Global Change Research		115	115	
Cisco Systems Inc.		27	27	
Dataserv-Ces Ltd.		13	13	
Dell Corporation Ltd. Ireland		40	40	
Deutsche Gesellschaft für Internationale Zusammenarbeit		20	20	
Ehime University		110	110	
Ericsson		27	27	
Hewlett-Packard GmbH		23	23	
Ibaraki University		48	48	
IDEA Consultants Inc.		43	43	
Institute for Global Environmental Strategies		158	158	
Japan Convention Services Inc.		165	165	
Japan Foundation for the United Nations University		279	279	
Kanagawa International Foundation		96	96	
Kirin Holdings Co. Ltd.		817	817	

Operating funds	*Unpaid pledges as at 1 January 2010*	*Add: pledges for 2010-2011 and adjustments*	*Less: collection during 2010-2011*	*Unpaid pledges as at 31 December 2011*
Kitakyushu University		16	16	
McMaster University		14	14	
Mitsubishi Research Institute		65	65	
Mitsui & Co. Ltd.		267	267	
National Institution for Youth Education		11	11	
Nederlandse Verwijdering Metalektro Producten		643	643	
Nokia OYJ		54	54	
OMC Inc.		33	33	
Philips Consumer Electronics B.V.		62	62	
Regional Environmental Centre, Country Office Turkey		15	15	
Sims Recycling Solutions		14	14	
SWICO Recycling		82	82	
Umicore Precious Metals Refining		12	12	
United Nations Environment Programme		300	300	
Waste Electrical and Electronic Equipment Forum		12	12	
Others		87	87	
Subtotal	–	**3 668**	**3 668**	–
UNU-ISP total	–	**16 310**	**16 310**	–
UNU-HAOC				
Government donations:				
Spain		3 327	1 389	1 938
UNU-HAOC total	–	**3 327**	**1 389**	**1 938**
Operating funds total	**332**	**76 702**	**73 789**	**3 245**
Government donations:				
Ghana	897		475	422
Malaysia		8 000	8 000	
Venezuela (Bolivarian Republic of)	3 003			3 003
Endowment Fund total	**3 900**	**8 000**	**8 475**	**3 425**
UNU Trust Fund (UNU-FAP)				
Government donations:				
Japan		1 177	1 177	
Trust Fund total	–	**1 177**	**1 177**	–
Grand total	**4 232**	**85 879**	**83 441**	**6 670**

Statement III

United Nations University[a]

Statement of cash flows for the biennium ended 31 December 2011

(Thousands of United States dollars)

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU-WIDER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Cash flows from operating activities									
Net excess (shortfall) of income over expenditure (statement I)	939	503	2 158	(677)	63	136	79	2 360	100
(Increase) decrease in contributions receivable	–	–	–	1	–	–	–	–	–
(Increase) decrease in inter-fund balances receivable	–	–	–	(3 199)	–	(2 404)	(1 489)	–	(264)
(Increase) decrease in other accounts receivable	550	–	(7)	(105)	322	(6)	3	447	(1)
(Increase) decrease in deferred charges and other assets	1 918	(843)	(855)	(211)	(1)	8	(17)	(4 087)	14
Increase (decrease) in unliquidated obligations	922	292	750	(420)	(216)	(122)	(8)	1 196	–
Increase (decrease) in inter-fund balances payable	9 644	–	–	(81)	–	–	–	–	–
Increase (decrease) in other accounts payable	213	42	(128)	176	(171)	(32)	3	(302)	(27)
Increase (decrease) in other liabilities	5 033	–	(1 236)	1 105	(1 024)	2 367	1 379	–	104
Increase (decrease) in end-of-service and post-retirement liabilities	–	–	–	–	–	–	–	–	–
Less: interest income	(70)	–	(187)	(208)	(15)	–	–	–	–
Net cash flows from operating activities	**19 149**	**(6)**	**495**	**(3 619)**	**(1 042)**	**(53)**	**(50)**	**(386)**	**(74)**
Cash flows from investing activities									
(Increase) decrease in short-term investments	–	–	–	–	–	–	–	–	–
(Increase) decrease in long-term investments	–	–	–	–	–	–	–	–	–

	UNU Centre Operating Fund	*UNU Headquarters Building Operating Fund*	*UNU-WIDER Operating Fund*	*UNU-MERIT Operating Fund*	*UNU-IIST Operating Fund*	*UNU-INRA Operating Fund*	*UNU-BIOLAC Operating Fund*	*UNU-IAS Operating Fund*	*UNU-ILI Operating Fund*
Interest income	70	–	187	208	15	–	–	–	–
Net cash flows from investing activities	**70**	**–**	**187**	**208**	**15**	**–**	**–**	**–**	**–**
Cash flows from financing activities									
Cancellation of prior-period obligations	236	6	76	146	76	55	50	386	69
Transfers (to) from other funds	(1 647)	–	–	–	–	–	–	–	–
Refunds to donors	–	–	–	–	–	(2)	–	–	–
Net cash flows from financing activities	**(1 411)**	**6**	**76**	**146**	**76**	**53**	**50**	**386**	**69**
Net increase (decrease) in cash and term deposits and cash pools	**17 808**	**–**	**758**	**(3 265)**	**(951)**	**–**	**–**	**–**	**(5)**
Cash and term deposits and cash pools, beginning of period	13 691	–	7 191	7 952	2 106	5	–	–	5
Cash and term deposits and cash pools, end of period	**31 499**	**–**	**7 949**	**4 687**	**1 155**	**5**	**–**	**–**	**–**

Statement III (continued)

	UNU-INWEH Operating Fund	*UNU-CRIS Operating Fund*	*UNU-EHS Operating Fund*	*UNU-IIGH Operating Fund*	*UNU-JAF[b] Operating Fund*	*UNU-ISP[c] Operating Fund*	*UNU-IIAOC[d] Operating Fund*	*UNU Press[e] Operating Fund*	*Atlas[f] Operating Fund*
Cash flows from operating activities									
Net excess (shortfall) of income over expenditure (statement I)	(191)	–	(504)	650	–	208	2 402	174	707
(Increase) decrease in contributions receivable	–	(330)	(646)	–	–	–	(1 938)	–	–
(Increase) decrease in inter-fund balances receivable	–	–	(463)	(1 706)	1 796	(635)	–	(1 095)	(1 124)
(Increase) decrease in other accounts receivable	(7)	2	(18)	6	–	(50)	(7)	(1)	–
(Increase) decrease in deferred charges and other assets	(73)	–	(606)	876	–	(5 443)	(597)	(57)	(64)
Increase (decrease) in unliquidated obligations	(96)	(1)	636	123	–	1 341	75	78	64
Increase (decrease) in inter-fund balances payable	–	–	–	–	–	–	–	–	–
Increase (decrease) in other accounts payable	(25)	(6)	63	(1)	–	75	65	8	–
Increase (decrease) in other liabilities	(760)	335	(6 323)	–	–	–	–	783	399
Increase (decrease) in end-of-service and post-retirement liabilities	–	–	–	–	–	–	–	–	–
Less: interest income	(13)	–	–	–	–	–	–	–	–
Net cash flows from operating activities	**(1 165)**	**–**	**(7 861)**	**(52)**	**1 796**	**(4 504)**	**–**	**(110)**	**(18)**
Cash flows from investing activities									
(Increase) decrease in short-term investments	–	–	–	–	–	–	–	–	–
(Increase) decrease in long-term investments	–	–	–	–	–	–	–	–	–
Interest income	13	–	–	–	–	–	–	–	–
Net cash flows from investing activities	**13**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

	UNU-INWEH Operating Fund	*UNU-CRIS Operating Fund*	*UNU-EHS Operating Fund*	*UNU-IIGH Operating Fund*	*UNU-JAF[b] Operating Fund*	*UNU-ISP[c] Operating Fund*	*UNU-IIAOC[d] Operating Fund*	*UNU Press[e] Operating Fund*	*Atlas[f] Operating Fund*
Cash flows from financing activities									
Cancellation of prior-period obligations	138	–	62	52	–	619	–	3	18
Transfers (to) from other funds	–	–	(549)	–	(1 796)	3 885	–	107	–
Refunds to donors	(51)	–	(11)	–	–	–	–	–	–
Net cash flows from financing activities	**87**	–	**(498)**	**52**	**(1 796)**	**4 504**	–	**110**	**18**
Net increase (decrease) in cash and term deposits and cash pools	**(1 065)**	–	**(8 359)**	–	–	–	–	–	–
Cash and term deposits and cash pools, beginning of period	2 559	–	9 254	–	–	–	–	–	–
Cash and term deposits and cash pools, end of period	**1 494**	–	**895**	–	–	–	–	–	–

Statement III (continued)

	Total operating funds	*Endowment Fund*	*Trust Fund*	*End-of-service and post-retirement liabilities*[5]	*All funds elimination*	*Total 2011*	*Total 2009*
Cash flows from operating activities							
Net excess (shortfall) of income over expenditure (statement I)	9 107	4 331	(1 112)	(4 075)	–	8 251	(35 281)
(Increase) decrease in contributions receivable	(2 913)	475	–	–	–	(2 438)	724
(Increase) decrease in inter-fund balances receivable	(10 583)	(832)	–	–	11 415	–	–
(Increase) decrease in other accounts receivable	1 128	428	(84)	–	–	1 472	77
(Increase) decrease in deferred charges and other assets	(10 038)	–	476	–	–	(9 562)	(10 154)
Increase (decrease) in unliquidated obligations	4 614	–	(38)	–	–	4 576	1 664
Increase (decrease) in inter-fund balances payable	9 563	1 852	–	–	(11 415)	–	–
Increase (decrease) in accounts payable	(47)	(90)	(288)	–	–	(425)	130
Increase (decrease) in other liabilities	2 162	–	–	–	–	2 162	5 279
Increase (decrease) in end-of-service and post-retirement liabilities	–	–	–	4 075	–	4 075	(988)
Less: interest income	(493)	(31 361)	–	–	–	(31 854)	(28 257)
Net cash flows from operating activities	**2 500**	**(25 197)**	**(1 046)**	**–**	**–**	**(23 743)**	**(66 806)**
Cash flows from investing activities							
(Increase) decrease in short-term investments	–	8 991	–	–	–	8 991	(3 346)
(Increase) decrease in long-term investments	–	(18 088)	–	–	–	(18 088)	50 386
Interest income	493	31 361	–	–	–	31 854	28 257
Net cash flows from investing activities	**493**	**22 264**	**–**	**–**	**–**	**22 757**	**75 297**

	Total operating funds	*Endowment Fund*	*Trust Fund*	*End-of-service and post-retirement liabilities*[g]	*All funds elimination*	*Total 2011*	*Total 2009*
Cash flows from financing activities							
Cancellation of prior-period obligations	1 992	–	298	–	–	2 290	2 895
Transfers (to) from other funds	–	–	–	–	–	–	–
Refunds to donors	(64)	–	–	–	–	(64)	–
Net cash flows from financing activities	**1 928**	**–**	**298**	**–**	**–**	**2 226**	**2 895**
Net increase (decrease) in cash and term deposits and cash pools	**4 921**	**(2 933)**	**(748)**	**–**	**–**	**1 240**	**11 386**
Cash and term deposits and cash pools, beginning of period	42 763	12 509	775	–	–	56 047	44 661
Cash and term deposits and cash pools, end of period	**47 684**	**9 576**	**27**	**–**	**–**	**57 287**	**56 047**

[a] See notes 2, 3 and 4.
[b] The UNU-JAF Operating Fund was closed as at 31 December 2011, as authorized by the Governing Council.
[c] The UNU-ISP Operating Fund, in Tokyo, was established effective 1 January 2010. The operations of UNU-ISP are funded by voluntary contributions from the Government of Japan.
[d] The UNU-IIAOC Operating Fund, in Barcelona, Spain, was established effective 28 June 2010. The operations of UNU-IIAOC are funded by voluntary contributions from the Government of Spain.
[e] The UNU Press Operating Fund was established effective 1 January 2010. The operations of UNU Press are funded mainly by transfers from the Endowment Fund, voluntary contributions, and sales income and royalties from publications.
[f] The Atlas Operating Fund was established effective 1 January 2010. The operations of Atlas are funded by transfers from the Endowment Fund.
[g] See note 7.

The accompanying notes are an integral part of the financial statements.

Statement IV

United Nations University

Statement of appropriations for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Appropriations[a]			*Expenditure*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditure*	*Unencumbered balance*
UNU Centre							
Staff and other personnel costs	13 521	209	13 730	13 283	21	13 304	426
General expenses	2 531	1 824	4 355	3 817	234	4 051	304
Research and training networks and dissemination	6 249	5 017	11 266	7 485	202	7 687	3 579
Subtotal	**22 301**	**7 050**	**29 351**	**24 585**	**457**	**25 042**	**4 309**
UNU Headquarters Building							
Staff and other personnel costs	901	–	901	541	–	541	360
General expenses	5 676	500	6 176	4 970	3	4 973	1 203
Research and training networks and dissemination	–	–	–	–	–	–	–
Subtotal	**6 577**	**500**	**7 077**	**5 511**	**3**	**5 514**	**1 563**
UNU-WIDER							
Staff and other personnel costs	5 333	(301)	5 032	4 010	3	4 013	1 019
General expenses	870	301	1 171	1 171	–	1 171	–
Research and training networks and dissemination	3 077	5 747	8 824	4 810	434	5 244	3 580
Subtotal	**9 280**	**5 747**	**15 027**	**9 991**	**437**	**10 428**	**4 599**
UNU-MERIT							
Staff and other personnel costs	3 673	–	3 673	2 857	3	2 860	813
General expenses	953	–	953	774	65	839	114
Research and training networks and dissemination	3 789	1 819	5 608	3 792	66	3 858	1 750
Subtotal	**8 415**	**1 819**	**10 234**	**7 423**	**134**	**7 557**	**2 677**
UNU-IIST							
Staff and other personnel costs	3 495	(250)	3 245	2 998	3	3 001	244
General expenses	627	840	1 467	1 230	36	1 266	201

Appropriation sections	Appropriations[a]			Expenditure			
	Original	Changes	Revised	Disbursements	Unliquidated obligations	Total expenditure	Unencumbered balance
Research and training networks and dissemination	1 060	1 398	2 458	1 565	4	1 569	889
Subtotal	**5 182**	**1 988**	**7 170**	**5 793**	**43**	**5 836**	**1 334**
UNU-INRA							
Staff and other personnel costs	1 034	–	1 034	901	–	901	133
General expenses	496	–	496	436	45	481	15
Research and training networks and dissemination	382	(27)	355	128	20	148	207
Subtotal	**1 912**	**(27)**	**1 885**	**1 465**	**65**	**1 530**	**355**
UNU-BIOLAC							
Staff and other personnel costs	138	–	138	113	–	113	25
General expenses	9	113	122	105	–	105	17
Research and training networks and dissemination	850	(113)	737	661	39	700	37
Subtotal	**997**	–	**997**	**879**	**39**	**918**	**79**
UNU-IAS							
Staff and other personnel costs	2 278	(200)	2 078	1 892	–	1 892	186
General expenses	1 375	400	1 775	1 758	4	1 762	13
Research and training networks and dissemination	6 401	8 788	15 189	9 659	563	10 222	4 967
Subtotal	**10 054**	**8 988**	**19 042**	**13 309**	**567**	**13 876**	**5 166**
UNU-ILI							
Staff and other personnel costs	–	33	33	32	–	32	1
General expenses	27	37	64	49	–	49	15
Research and training networks and dissemination	150	(70)	80	–	–	–	80
Subtotal	**177**	–	**177**	**81**	–	**81**	**96**
UNU-INWEH							
Staff and other personnel costs	2 625	261	2 886	2 886	–	2 886	–
General expenses	550	318	868	800	68	868	–

Appropriation sections	Appropriations[a]			Expenditure			
	Original	Changes	Revised	Disbursements	Unliquidated obligations	Total expenditure	Unencumbered balance
Research and training networks and dissemination	3 787	(666)	3 121	2 417	172	2 589	532
Subtotal	**6 962**	**(87)**	**6 875**	**6 103**	**240**	**6 343**	**532**
UNU-CRIS							
Staff and other personnel costs	1 176	(39)	1 137	1 085	–	1 085	52
General expenses	–	39	39	39	–	39	–
Research and training networks and dissemination	–	–	–	–	–	–	–
Subtotal	**1 176**	**–**	**1 176**	**1 124**	**–**	**1 124**	**52**
UNU-EHS							
Staff and other personnel costs	1 199	–	1 199	1 194	–	1 194	5
General expenses	798	–	798	427	3	430	368
Research and training networks and dissemination	4 241	3 025	7 266	6 580	146	6 726	540
Subtotal	**6 238**	**3 025**	**9 263**	**8 201**	**149**	**8 350**	**913**
UNU-IIGH							
Staff and other personnel costs	2 165	(500)	1 665	1 152	16	1 168	497
General expenses	575	500	1 075	665	26	691	384
Research and training networks and dissemination	2 235	372	2 607	1 375	48	1 423	1 184
Subtotal	**4 975**	**372**	**5 347**	**3 192**	**90**	**3 282**	**2 065**
UNU-ISP							
Staff and other personnel costs	4 658	–	4 658	4 298	–	4 298	360
General expenses	400	143	543	526	–	526	17
Research and training networks and dissemination	11 290	5 495	16 785	12 104	207	12 311	4 474
Subtotal	**16 348**	**5 638**	**21 986**	**16 928**	**207**	**17 135**	**4 851**
UNU-IIAOC							
Staff and other personnel costs	–	278	278	191	–	191	87
General expenses	–	1 111	1 111	689	45	734	377

Appropriation sections	Appropriations[a]			Expenditure			
	Original	Changes	Revised	Disbursements	Unliquidated obligations	Total expenditure	Unencumbered balance
Research and training networks and dissemination	–	–	–	–	–	–	–
Subtotal	**–**	**1 389**	**1 389**	**880**	**45**	**925**	**464**
UNU Press							
Staff and other personnel costs	850	170	1 020	1 020	–	1 020	–
General expenses	120	30	150	147	–	147	3
Research and training networks and dissemination	255	231	486	370	21	391	95
Subtotal	**1 225**	**431**	**1 656**	**1 537**	**21**	**1 558**	**98**
UNU Atlas							
Staff and other personnel costs	617	(300)	317	153	–	153	164
General expenses	333	300	633	264	–	264	369
Research and training networks and dissemination	–	–	–	–	–	–	–
Subtotal	**950**	**–**	**950**	**417**	**–**	**417**	**533**
Others							
Joint Activity Fund	200	–	200	–	–	–	200
Subtotal	**200**	**–**	**200**	**–**	**–**	**–**	**200**
Operating funds total	**102 969**	**36 833**	**139 802**	**107 419**	**2 497**	**109 916**	**29 886**
Trust Fund							
Trust Fund	1 849	358	2 207	2 111	–	2 111	96
Subtotal	**1 849**	**358**	**2 207**	**2 111**	**–**	**2 111**	**96**
Grand total	**104 818**	**37 191**	**142 009**	**109 530**	**2 497**	**112 027**	**29 982**

[a] Represents original appropriation of $104,818,000 for the biennium 2010-2011, as authorized by the UNU Council at its fifty-sixth session, which was increased through supplementary budgets of $2,663,000, $1,735,000 and $1,290,000, authorized at the fifty-seventh session of the Council, the 2011 bureau meeting and the fifty-eighth session of the Council, respectively. The revised appropriations also include contributions of $31,503,000 received for programme activities that the Rector has been authorized by the Council to accept and utilize, thereby resulting in a total revised appropriation of $142,009,000.

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
United Nations University and its activities

(a) The Charter of the United Nations University (UNU) was adopted by the General Assembly in resolution 3081 (XXVIII) of 6 December 1973.

(b) The mission of UNU, a non-traditional international educational institution, is to carry out scholarly work of the highest quality to help resolve pressing global problems of human survival, development and welfare. To that end, UNU focuses its research, postgraduate education and knowledge dissemination activities on the most critical problems of concern to the United Nations, in particular those that affect developing countries.

(c) Through its work, UNU strives to achieve two main goals: to strengthen the capacities of institutions of higher education in developing countries to carry out high-quality research and training; and to make scholarly and policy-relevant contributions to the work of the United Nations.

(d) To accomplish those objectives, the UNU Centre in Tokyo plans, coordinates and funds academic activities carried out through its institutes and programmes, namely, the UNU World Institute for Development Economics Research (UNU-WIDER), in Helsinki; the UNU Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), in Maastricht, Netherlands; the UNU International Institute for Software Technology (UNU-IIST), in Macao, China; the UNU Institute for Natural Resources in Africa (UNU-INRA), in Accra; the UNU Programme for Biotechnology in Latin America and the Caribbean (UNU-BIOLAC), in Caracas; the UNU Institute of Advanced Studies (UNU-IAS), in Yokohama, Japan; the UNU International Leadership Institute (UNU-ILI), in Amman; the UNU Institute for Water, Environment and Health (UNU-INWEH), in Hamilton, Canada; the UNU Institute on Comparative Regional Integration Studies (UNU-CRIS), in Bruges, Belgium; the UNU Institute for Environment and Human Security (UNU-EHS), in Bonn, Germany; the UNU International Institute for Global Health (UNU-IIGH), in Kuala Lumpur; the UNU Institute for Sustainability and Peace (UNU-ISP), in Tokyo; and the UNU International Institute for the Alliance of Civilizations (UNU-IIAOC), in Barcelona, Spain.

Other activities of UNU are carried out through the Headquarters Building Operating Fund, the UNU Press Fund, the Atlas Fund and the Financial Assistance Programme for Students from Developing Countries Studying in Japan (UNU-FAP), which is operated through a Trust Fund; all of these are located in Tokyo.

Note 2
Summary of significant accounting policies

(a) The accounts of UNU are maintained in accordance with the Financial Regulations and Rules of the United Nations adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards adopted by the United Nations System Chief Executives Board

for Coordination (CEB). With regard to the disclosure of accounting policies, UNU follows International Accounting Standard 1, "Presentation of financial statements", as modified and adopted by CEB, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place.

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNU accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity. The financial statements reflect the activities of each fund or group of funds of the same nature.

(c) The financial period of UNU is a biennium and consists of two consecutive calendar years.

(d) In general, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of UNU are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements provides a valuation materially different from the application of United Nations rates of exchange as at the end of the financial period, a footnote will be presented quantifying the difference.

(f) The financial statements of UNU are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The statement of cash flows is based on the "indirect method" of cash flows, as referred to in the United Nations system accounting standards.

(h) The financial statements of UNU are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-level Committee on Management.

(i) Income:

(i) The University derives its income from two sources: income from the Endowment Fund and contributions to the operating funds and to the Trust Fund.

(ii) Pledged voluntary contributions from Governments to the Endowment Fund are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time. Pledges for future years are recorded as deferred income.

(iii) All Government contributions, unless otherwise specified, are credited to the Endowment Fund. The income derived from the investments of the Endowment Fund is allocated to the operating funds in accordance with decisions of the UNU Council.

(iv) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on short-term and long-term investments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds.

(v) Income for services rendered represents income received for services provided to the United Nations and other organizations that occupy offices in the UNU building and from external users of the conference and exhibition facilities.

(vi) Transfers from the Endowment Fund to the respective operating funds are shown as part of the income of operating funds.

(vii) Miscellaneous income includes income from the sale of used or surplus property, refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, monies accepted for which no purpose was specified and other sundry income.

(j) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements.

(ii) Expenditure incurred for non-expendable property is charged to the budget for the period in which the property is acquired, and is not capitalized. Inventory of such non-expendable property is maintained at historical cost.

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges, as referred to in subparagraph (k) (v).

(iv) Transfers from the Endowment Fund to operating funds are included as part of the expenditure of the Endowment Fund. See subparagraph (i) (vi).

(k) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits.

(ii) Investments comprise investments in bonds and equities. Short-term investments are stated at lower of cost or market; long-term investments are stated at cost. No provision is made for amortization of premiums or discounts, which are taken into account as part of the gain or loss when investments are sold.

(iii) The offices away from Headquarters cash pool and the euro cash pool comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, which are managed in separate cash pools. Short-term investments are stated at lower of cost or market; long-term investments are stated at cost; cost is defined as the nominal value plus or minus any unamortized premium or discount. Shares in the offices away from Headquarters cash pool and the euro cash pool are reported separately for each of the participating funds, and their composition and the market value of their investments are disclosed in the footnotes to the financial statements. Currently, the University participates in the offices away from Headquarters cash pool and the euro cash pool. Additional details are provided in note 5;

(iv) Inter-fund balances reflect transactions between the operating funds and the Endowment Fund. Inter-fund balances are settled periodically, depending upon the availability of cash resources.

(v) Deferred charges normally comprise expenditure items that are not properly chargeable in the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery.

(vi) Other assets include inter-office transactions that are pending processing between the UNU Centre and its institutes and programmes.

(vii) For the purposes of the balance sheet statement only, those portions of the education grant advances that are assumed to pertain to the scholastic year completed as at the date of the financial statement are shown under deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proof of entitlement is produced, at which time the budgetary accounts are charged and the advances settled.

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the University. Such acquisitions are charged against budgetary accounts in the

year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(l) Liabilities and reserves and fund balances:

(i) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations.

(ii) Deferred income includes pledged contributions for future periods.

(iii) Commitments of UNU relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the operating funds, the Endowment Fund and the Trust Fund remain valid for 12 months following the end of the biennium to which they relate.

(iv) Other liabilities include inter-office transactions that are pending processing between the UNU Centre and its institutes and programmes.

(v) The Endowment Fund of UNU represents the working capital fund of the UNU Centre and certain institutes. The fund principal represents the contributions of donors to the Centre or specified institutes and is invested to earn income. Pursuant to a decision of the UNU Council at its forty-ninth session, the maximum annual withdrawal is 5 per cent of the five-year average market value of the Endowment Fund (see note 4 (a) (ii)).

(vi) Authorized retained surplus represents the amounts set aside as contingency funds to cover any shortfall or delay in the payment of expected contributions, to compensate for any reduction in estimated income due to currency fluctuations and to cover any special maintenance costs for the headquarters building.

(vii) Balances related to projects funded by donors represent the amount of specific programme contributions unspent during the period.

(viii) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. The liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis.

(ix) Contingent liabilities, if any, are disclosed in the notes to the financial statements.

(x) The University is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the University is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus, the University's share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The University's contribution to the Pension Fund consists of its

mandated contribution at the rate established by the United Nations General Assembly, currently 7.9 per cent for the participants and 15.8 per cent for the organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of preparation of the current financial statements, the Assembly had not invoked this provision.

(m) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General's bulletin ST/SGB/188, on the establishment and management of trust funds, and its supporting administrative instructions ST/AI/284, ST/AI/285 and ST/AI/286, although, as indicated in paragraph 3 of bulletin ST/SGB/188, that bulletin does not apply to such institutions as UNU, which are subject to the administrative authority of their executive heads.

Note 3
Income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)

(a) Statements I, II and III contain the financial results for all UNU funds, which are totalled into four groups of related funds and, after elimination, combined into a grand total that reflects the activities of the University. This combined presentation should not be interpreted to mean that any individual fund can be used for any purpose other than that for which it is authorized. The four groups consist of:

(i) "Operating funds", which comprise the UNU Centre Fund, the UNU Headquarters Building Fund, UNU-WIDER, UNU-MERIT, UNU-IIST, UNU-INRA, UNU-BIOLAC, UNU-IAS, UNU-ILI, UNU-INWEH, UNU-CRIS, UNU-EHS, UNU-IIGH, the Joint Activity Fund (UNU-JAF), UNU-ISP, UNU-IIAOC, the UNU Press Fund and the Atlas Fund;

(ii) "Endowment Fund";

(iii) "Trust Fund" for UNU-FAP;

(iv) "End-of-service and post-retirement liabilities" for liabilities relating to after-service health insurance, unused vacation days and repatriation benefits.

(b) Statement I includes two calculations of the excess or shortfall of income compared with expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes non-budgeted accrued expenses for end-of-service and post-retirement benefits and any prior-period adjustments to income or expenditure.

(c) All funds eliminations. Upon the combination of all funds into the four groups (see note 3 (a)), eliminations of transactions that occur across the groups (i.e., inter-group transactions) are required for a fair presentation of the "Total" column. These eliminations include transactions that comprise income of one group

of funds but are the expense of another group, or a receivable of one group that is the payable of another group. All such eliminations are presented in the "All funds elimination" column.

Note 4
United Nations University funds (statements I, II and III)

(a) *Investments*. The management of the Endowment Fund has two major aspects: (i) investments and (ii) spending:

(i) Investments

The investments of the Endowment Fund are managed by a financial advisory firm and overseen by the Investment Management Division of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for Investments of the Pension Fund. The aim of the investment policy is to maximize long-term returns, with due consideration of appropriate risk factors, in order to provide for the cash needs of UNU. The approved policy for the long-term allocation of investments, which is under review, calls for the distribution of investments as follows: equity, 50 per cent; fixed income, 45 per cent; cash, 5 per cent.

(ii) Spending

In accordance with a decision of the Governing Council of UNU at its forty-sixth session, cash withdrawal from the Endowment Fund to finance the biennial budget is limited to 5 per cent per year of the five-year average market value.

(b) *Cash and term deposits, investments and cash pools*. The following tables show the breakdown of the total of cash and term deposits, short-term and long-term investments and the cash pools that are included in statement II, by currency and type of investment (in thousands of United States dollars):

Currency	*United States dollar equivalent*
United States dollars	146 593
Euros	74 363
Japanese yen	63 755
Pounds sterling	20 561
Others	35 203
Total	**340 475**

Type			*United States dollar equivalent*[a]
Cash and term deposits			38 761
Short-term investments:			
	Bonds		3 140
Long-term investments:			
	Bonds	126 781	
	Equities	153 267	280 048
Offices away from Headquarters and euro cash pools			18 526
Total			**340 475**

[a] The market value as at 31 December 2011 was $3,162,985 for short-term investments and $289,769,021 for long-term investments. As indicated in footnote l of statement II, on assets, liabilities and reserves and fund balances, the market values of the short-term and long-term investments in the offices away from Headquarters cash pool as at 31 December 2011 were $4,680,108 and $10,356,183, respectively.

(c) *Voluntary contributions receivable*. The following is an aged analysis of the pledged contributions receivable included in statement II (in thousands of United States dollars):

Country	*Less than one year*	*More than one year*	*Total 2011*	*Total 2009*
Belgium	661		661	332
Germany	646		646	–
Ghana		422	422	897
Spain	1 938	–	1 938	–
Venezuela (Bolivarian Republic of)		3 003	3 003	3 003
Total	**3 245**	**3 425**	**6 670**	**4 232**

(d) *Other accounts receivable*. The following is an aged analysis of accounts receivable included in statement II (in thousands of United States dollars):

Accounts receivable	*Less than one year*	*More than one year*	*Total 2011*	*Total 2009*
Governments	213		213	256
Staff members	140	385	525	741
Other United Nations entities				768
Accrued interest	1 501		1 501	1 931
Others	206	1 276	1 482	1 497
Total	**2 060**	**1 661**	**3 721**	**5 193**

(e) *Deferred charges and other assets*. The following is an analysis of deferred charges and other assets included in statement II (in thousands of United States dollars):

Deferred charges and other assets	*2011*	*2009*
Education grant advances	112	88
Commitments for future financial periods	12 461	4 965
Others		120
Total	**12 573**	**5 173**

(f) *Other accounts payable*. The following is an analysis of other accounts payable included in statement II (in thousands of United States dollars):

Other accounts payable	*2011*	*2009*
Due to other United Nations entities	1 046	33
Others	2 252	3 690
Total	**3 298**	**3 723**

(g) *Reserves and fund balances*. The following shows the composition of total reserves and fund balances (in thousands of United States dollars):

Reserves and fund balances	*2011*	*2009*
Net excess (shortfall) of income over expenditure	8 251	(35 281)
Cancellation of prior-period obligations	2 290	2 895
Refund to donors	(64)	
Subtotal	**10 477**	**(32 386)**
Reserves and fund balances, beginning of period	324 926	357 312
Reserves and fund balances, end of period	**335 403**	**324 926**

(h) *Endowment Fund*. The following shows the composition of the Endowment Fund by Centre and institute (in thousands of United States dollars):

	31 December 2011			*31 December 2009*		
Centre/institute	*Principal*	*Cumulative surplus/(deficit)*	*Total*	*Principal*	*Cumulative surplus/(deficit)*	*Total*
UNU Centre	128 161	21 565	149 726	128 161	25 618	153 779
UNU-WIDER	36 256	11 241	47 497	36 256	10 887	47 143
UNU-MERIT	15 429	3 551	18 980	15 429	3 598	19 027
UNU-IIST	29 997	6 504	36 501	29 997	6 593	36 590
UNU-INRA	6 391	(4 038)	2 353	6 391	(3 120)	3 271

	31 December 2011			31 December 2009		
Centre/institute	*Principal*	*Cumulative surplus/(deficit)*	*Total*	*Principal*	*Cumulative surplus/(deficit)*	*Total*
UNU-BIOLAC	10 000	648	10 648	10 000	669	10 669
UNU-ILI	1 000	607	1 607	1 000	611	1 611
UNU-EHS	2 536	258	2 794	2 536	265	2 801
UNU-IIGH	24 000	854	24 854	16 000	(262)	15 738
Total	**253 770**	**41 190**	**294 960**	**245 770**	**44 859**	**290 629**

Note 5
Offices away from Headquarters and euro cash pools

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the Secretariat, including the United Nations University. Such surplus funds are combined in one of three internally managed cash pools, which invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale and through the ability to spread yield curve exposures across a range of maturities.

(ii) The investment activities of all the cash pools are guided by the principles set out in the United Nations Investment Management Guidelines. An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance of the various cash pools.

(b) Investment management objectives:

Further to the Guidelines, the investment objectives of all the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital.

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets that have a readily available market value and can be easily converted to cash are held.

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and the cash-flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool.

(c) Cash pools:

(i) The University participates in the following cash pools:

a. The offices away from Headquarters pool, which has investments only in United States dollars and is for use by funds whose main books of accounts are maintained in one of the offices away from Headquarters.

b. The euro pool, which has investments only in euros and is for use by funds in offices away from Headquarters that may have a surplus of euros from their operations.

(ii) The cash pools invest in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, Government agency securities and Government securities with maturities of five years or less. The cash pools do not invest in derivative instruments or asset-backed, mortgage-backed or equity products.

(iii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pools are expensed as incurred in the cash pools, and the net income is distributed proportionately to the funds participating in the cash pools.

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants.

(d) Financial information pertaining to the offices away from Headquarters and euro cash pools:

(i) As at 31 December 2011, the offices away from Headquarters and euro cash pools held total assets of $1,956.0 million; of this amount, $18.5 million was due to the University, as reflected against the cash pool line in statement II, on assets, liabilities and reserves and fund balances.

(ii) Financial information relating to the offices away from Headquarters and euro cash pools as at 31 December 2011 is summarized in table 1.

Table 1

Summary of the assets and liabilities of the cash pools as at 31 December 2011

(Thousands of United States dollars)

	Offices away from Headquarters pool	*Euro pool*	*Total*
Assets			
Short-term investments[a]	627 484	122 754	750 238
Long-term investments[b]	940 267	152 256	1 092 523
Total investments	**1 567 751**	**275 010**	**1 842 761**
Cash	2	106 815	106 817
Accrued investment income	3 842	2 530	6 372
Total assets	**1 571 595**	**384 355**	**1 955 950**

	Offices away from Headquarters pool	*Euro pool*	*Total*
Liabilities			
Payable to the United Nations University	14 838	3 688	18 526
Payable to other funds participating in the cash pools	1 556 757	380 667	1 937 424
Total liabilities	**1 571 595**	**384 355**	**1 955 950**
Net assets	–	–	–

Summary of the net income of the cash pools for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Offices away from Headquarters pool	*Euro pool*[c]	*Total*
Net income			
Interest income	40 714	4 355	45 069
Realized gains on sales of securities	10 080	478	10 558
Securities lending income[d]	559		559
Net income from operations	**51 353**	**4 833**	**56 186**

[a] Lower of book value or fair value.
[b] Book value.
[c] Excludes gains or losses arising from revaluation of the underlying euro-based investments.
[d] "Securities lending" refers to the short-term lending of securities owned by the United Nations to other parties, for which a fee is paid to the United Nations. The terms of the loan are governed by an agreement, which requires the borrower to provide the United Nations with collateral of a value greater than that of the security lent.

(e) Composition of the offices away from Headquarters and euro cash pools:

Table 2 shows a breakdown of the investments held in the offices away from Headquarters and euro cash pools by type of instrument.

Table 2
Investments of the cash pools as at 31 December 2011, by type of instrument

(Thousands of United States dollars)

Offices away from Headquarters pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	989 127	990 001
Non-United States sovereigns and supranationals	325 031	326 577
Subtotal	**1 314 158**	**1 316 578**

Offices away from Headquarters pool	*Book value*	*Fair value*[a]
Discounted instruments[b]	74 978	74 981
Term deposits	178 615	178 615
Total investments	**1 567 751**	**1 570 174**

Euro pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	93 819	93 764
Non-United States sovereigns and supranationals	103 672	104 055
Subtotal	**197 491**	**197 819**
Term deposits	77 519	77 519
Total investments	**275 010**	**275 338**

Total of cash pools	*Book value*	*Fair value*[a]
Bonds		
Government agencies	1 082 946	1 083 765
Non-United States sovereigns and supranationals	428 703	430 632
Subtotal	**1 511 649**	**1 514 397**
Discounted instruments[b]	74 978	74 981
Term deposits	256 134	256 134
Total investments	**1 842 761**	**1 845 512**

[a] Fair value is determined by the independent custodian on the basis of valuations of securities sourced from third parties.

[b] Includes United States Treasury bills and discount notes.

(f) Financial risk management:

The offices away from Headquarters and euro cash pools are exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Individual Rating is used to rate term deposits.

The credit ratings of the issuers whose securities were held in the offices away from Headquarters and euro cash pools as at 31 December 2011 are shown in table 3.

Table 3

Investments of the cash pools as at 31 December 2011, by credit ratings

(Thousands of United States dollars)

Offices away from Headquarters pool	*Total*[a]	*Ratings*
Bonds	1 314 158	S&P: 41.4% AAA and 58.6% AA+/AA-; Moody's: 94.7% Aaa and 5.3% Aa1/Aa3
Discounted instruments[b]	74 978	S&P: A-1+; Moody's: P-1
Term deposits	178 615	Fitch: 60.8% A/B and 39.2% B
Total investments	**1 567 751**	

Euro pool	*Total*[a]	*Ratings*
Bonds	197 491	S&P: AAA; Moody's: Aaa
Term deposits	77 519	Fitch: B
Total investments	**275 010**	

[a] Represents the book value of securities as at 31 December 2011.

[b] Includes United States Treasury bills and discount notes.

(ii) Liquidity risk:

The offices away from Headquarters and euro cash pools are exposed to liquidity risk associated with the requirement that participants be able to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pools' cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the cash pools are able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate owing to changes in foreign exchange rates versus the United States dollar. The offices away from Headquarters pool has no currency risk, as all its investments are in United States dollars. The euro pool is exposed to currency risk through the holding of securities in euros. Accordingly, funds participating in the euro pool are exposed to currency risk to the extent that their share of investments exceeds their operational requirements for euros.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values due to changes in interest rates. In general, as interest rates rise, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by

the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk. The offices away from Headquarters and euro cash pools are exposed to interest rate risk, as their holdings comprise interest-bearing securities. As at 31 December 2011, the pools invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average durations of the offices away from Headquarters pool and the euro pool were 0.89 years and 0.93 years, respectively, which are considered to be indicators of low interest rate risk. Table 4 shows how the fair value of the offices away from Headquarters and euro cash pools as at 31 December 2011 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of an upward or downward shift of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the cash pools to interest rates as at 31 December 2011

	Change in fair value (millions of United States dollars)		
Shift in yield curve (basis points)	*Offices away from Headquarters pool*	*Euro pool*	*Total*
-200	28	5	33
-150	21	4	25
-100	14	3	17
-50	7	1	8
0	0	0	0
50	-7	-1	-8
100	-14	-3	-17
150	-21	-4	-25
200	-28	-5	-33

(v) Other price risk:

The cash pools are not exposed to significant other price risk, as they do not sell short or borrow securities or purchase securities on margin, all of which limits the potential loss of capital.

Note 6
Investments of the Endowment Fund

(a) Background:

The investments of the Endowment Fund are managed by a financial advisory firm and overseen by the Investment Management Division of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for Investments of the Pension Fund.

(b) The investment management objectives are the following:

(i) Safety: ensure the preservation of capital.

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations University to readily meet all operating requirements. Only assets that have a readily available market value and can be easily converted to cash are held.

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and multi-currency cash flow characteristics. Benchmarks determine whether satisfactory market returns are being achieved in the investment.

(c) Financial information:

(i) The investments of the Endowment Fund comprise a variety of securities. Such securities may include, but are not restricted to, bank deposits, supranational securities, Government agency securities, corporate equity or corporate debt securities and Government securities with maturities of five years or more. The securities are denominated in multi-currencies other than United States dollars to facilitate the multi-currency requirements of the University. The Endowment Fund does not invest in derivative instruments or asset-backed or mortgage-backed products.

(ii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; bank fees and other transaction costs that are directly attributable to the investment activity of the Endowment Fund are expensed as incurred, and the net income is distributed proportionately to the funds participating in the Endowment Fund.

(iii) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the Endowment Fund participants.

(iv) As at 31 December 2011, the Endowment Fund held investments of $283.2 million, as reflected in statement II, on assets, liabilities and reserves and fund balances.

(v) Performance for the period 1 January 2010 through 31 December 2011 is summarized in table 1.

Table 1

Summary of net income from investments of the Endowment Fund for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Total
Net income	
Interest income	8 847
Dividend income	7 744
Gains on sale of securities	18 194[a]
Less: Loss on sale of securities	(2 018)
Investment management fees	(1 406)
Net income	**31 361**

[a] Includes net gain on foreign exchange revaluation of $3,424,361.

(d) The composition of the investments:

Table 2 shows a breakdown of the investments by type of instrument.

Table 2

Investments as at 31 December 2011, by type of instrument

(Thousands of United States dollars)

	Book value	*Fair value*[a]
Bonds		
Government agencies	33 242	34 354
Non-United States sovereigns and supranationals	79 040	79 828
United States Treasuries	11 714	13 195
Corporate	5 925	5 168
Total bonds	**129 921**	**132 545**
Equities		
North American equities	85 364	91 914
European equities	42 848	45 368
Japanese equities	16 445	15 263
Asia ex-Japan equities	7 882	6 665
Emerging markets equities	728	1 178
Total equities	**153 267**	**160 388**
Total investments	**283 188**	**292 933**

[a] Fair value is determined by the independent custodian on the basis of valuations of securities sourced from third parties.

(e) Financial risk management:

The investments of the Endowment Fund are exposed to a variety of financial risks. Equities are exposed to varying degrees of risk, depending on multiple factors. In general, equities in developed economies are considered to be less risky than those in emerging markets. Risks associated with bonds include credit risk, interest rate risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

Risks associated with bonds are rated by the major credit rating agencies. The credit ratings, as determined by Moody's, of the bonds held as at 31 December 2011 are shown in table 3.

Table 3
Credit ratings as at 31 December 2011
(Thousands of United States dollars)

Investment	*Total*[a]	*Ratings*
Bonds	129 921	Moody's: 68.3% Aaa, 17.5% Aa1/Aa2/Aa3, 13.3% A1/A2/A3, and 0.9% Ba1/Ba2/Ba3

[a] Represents the book value of bonds as at 31 December 2011.

(ii) Liquidity risk:

The investments of the Endowment Fund are exposed to liquidity risk associated with the requirement that the University be able to make withdrawals on short notice. Sufficient cash and marketable securities are held to meet the University's commitments as and when they fall due. The major portion of the Fund's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the investment is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate owing to changes in foreign exchange rates versus the United States dollar. The investments in the Endowment Fund are exposed to currency risk through the holding of securities in foreign currencies to the extent that the investments in foreign currencies exceed operational requirements for the respective foreign currencies.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values due to changes in interest rates. In general, as interest rates rise, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk. Bonds held by the Endowment Fund are exposed to interest rate risk. As at 31 December 2011, the Endowment Fund had investments in bonds across the yield curve,

with an average duration of 6.21 years. Table 4 shows how the fair value of the bonds held as at 31 December 2011 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a downward or upward shift of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the bonds held by the Endowment Fund as at 31 December 2011

Shift in yield curve (basis points)	*Change in fair value (millions of United States dollars)*
-200	18
-150	13
-100	9
-50	4
0	0
50	-4
100	-8
150	-18
200	-15

(v) Other price risk:

The Endowment Fund is not exposed to significant other price risk, as it does not sell short or borrow securities or purchase securities on margin, all of which limits the potential loss of capital.

Note 7
End-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 2 (l) (viii), all three liabilities are determined on the basis of an actuarial valuation undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those recruited after 1 July 2007, and 5 years for those recruited prior to that date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2011 were a discount rate of 4.5 per cent; health-care escalation rates of 8.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years; and retirement, withdrawal and

mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. The main changes compared with the 31 December 2009 valuation were: (a) a decline in the assumption for the discount rate from 6.0 per cent to 4.5 per cent, reflecting a broad decline in interest rates of the benchmark, which is based on high-quality corporate bonds; and (b) an assumption for higher health-care escalation rates.

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the University's residual liability. Thus, contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted in order to arrive at the University's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the University's share shall not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the medical insurance plan.

(iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2011, net of contributions from plan participants, was estimated at $6,684,000.

(Thousands of United States dollars)

After-service health insurance liabilities	*Accrued liability*
Gross liability	11 676
Offset by contributions from plan participants	(4 992)
Net liability	**6 684**

The above net liability of $6,684,000 compares with an estimate of $3,614,000 as at 31 December 2009. The increase of $3,070,000 is due mainly to an actuarial loss of $2,159,000, which is due primarily to the change in the assumption for discount rates, from 6.0 per cent as at 31 December 2009 to 4.5 per cent as at 31 December 2011.

(v) Further to the assumptions set out in (ii) above, it is estimated that the present value of the liability would increase by 27 per cent or decrease by 20 per cent, respectively, if the medical cost trend should increase or decrease by 1 per cent, all other assumptions remaining constant. Similarly, it is estimated that accrued liability would increase by 28 per cent or decrease by 20 per cent, respectively, if the discount rate should decrease or increase by 1 per cent, all other assumptions remaining constant.

(c) Repatriation benefits

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

(ii) As referred to in note 2 (l) (viii), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2011. The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent, based on the age and category of staff members; and travel cost increases of 2.5 per cent per annum.

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2011 was estimated at $2,083,000.

(d) Unused vacation days

(i) Upon end of service, staff members may commute unused vacation days, up to a maximum of 60 working days for those holding fixed-term or continuing appointments.

(ii) As referred to in note 2 (l) (viii), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2011. The major assumptions used by the actuary were a discount rate of 4.5 per cent and an annual rate of increase in accumulated annual leave balances of 12.5 days in each of the first three years, 3.0 days per year in the fourth to sixth years and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 9.1 per cent to 4.0 per cent, based on the age and category of staff members.

(iii) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2011 was estimated at $1,013,000.

Note 8
Contributions in kind

During the biennium 2010-2011, the University received voluntary contributions in kind for personnel, and various goods and services from Governments and other organizations. The estimated fair value of such contributions in kind is as follows (in thousands of United States dollars):

Location	*2011*	*2009*
UNU Centre, Tokyo	4 567	2 795
UNU, Paris	60	60
UNU-WIDER, Helsinki	15	15
UNU-IAS, Yokohama, Japan	2 716	2 980
UNU Vice-Rectorate in Europe, Bonn, Germany	43	84
UNU-EHS, Bonn, Germany	126	156
Total	**7 527**	**6 090**

Note 9
Non-expendable property

(a) In accordance with the University's accounting policies, non-expendable property is not included in the fixed assets of UNU but is charged against the current appropriations when acquired. The following table shows the value of non-expendable property at the UNU Centre and the University's institutes, according to the cumulative records of UNU (in thousands of United States dollars):

Location	*2011*	*2009*
UNU Centre, Tokyo	2 876	2 756
UNU Centre, Kuala Lumpur	104	74
UNU, New York	85	81
UNU, Paris	33	30
UNU Vice-Rectorate in Europe, Bonn, Germany	788	138
UNU-WIDER, Helsinki	183	279
UNU-MERIT, Maastricht, Netherlands	511	568
UNU-IIST, Macao, China	314	417
UNU-INRA, Accra	219	128
UNU-INRA Unit, Lusaka	144	144
UNU-BIOLAC, Caracas	82	48
UNU-IAS, Yokohama, Japan	802	759
UNU-ILI, Amman		342
UNU-INWEH, Hamilton, Canada	232	167
UNU-EHS, Bonn, Germany	226	288
UNU-IIGH, Kuala Lumpur	213	129
UNU-ISP, Tokyo	62	
UNU-ISP SCYCLE, Bonn, Germany	12	
Total	**6 886**	**6 348**

(b) The change in non-expendable property is summarized below (in thousands of United States dollars):

	2011	*2009*
Opening balance as at 1 January	6 348	5 701
Add: acquisitions	1 336	1 005
Less: write-offs due to accidents, thefts and damages	(2)	(2)
Less: dispositions	(1 266)	(572)
Other adjustments[a]	470	216
Balance as at 31 December	**6 886**	**6 348**

[a] Represents adjustments mainly for group inventory items that were previously excluded.

In addition to the above-mentioned inventory records, separate inventory records are maintained for furniture and equipment that have been made available to the UNU Centre and the institutes/programmes by the respective host countries and certain private donors.

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